

## APPENDIX

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UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT

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Nos. 168, 434—August Term, 1981

(Argued November 4, 1981)

Decided September 14, 1982)

Docket Nos. 81-7319, 81-7347

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CECIL SHACKELTON, CARLOS M. QUINONES, VIVIAN M.  
WILLIAMS, RICHARD H. WILLIAMS, JR., ALFRED C.  
WILLIAMS and RAYMOND A. WILLIAMS,

*Plaintiffs-Appellants-Cross Appellees,*

—v.—

J. KAUFMAN IRON WORKS, INC., and  
WINDOR SECURITY SYSTEMS, INC.,

*Defendants-Appellees-Cross Appellants.*

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Before:

WATERMAN, OAKES and MESKILL,

*Circuit Judges.*

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Appeal from a decision of the United States District  
Court for the Southern District of New York, Thomas P.

Griesa, *Judge*, finding plaintiffs' patent invalid, dismissing plaintiff's cause of action for patent infringement, and dismissing defendants' claim for restitution of royalties. The judgment on patent validity is reversed, dismissal of the restitution claim upheld, and the claim for infringement remanded.

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JAMES REISMAN, Barry A. Cooper, Rackman  
& Reisman, New York City, *for Appel-  
lants-Cross-Appellees*.

ROBERT W. FIDDLER, Fiddler & Levine, New  
York City, *for Appellees-Cross-Appel-  
lants*.

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**WATERMAN, Circuit Judge:**

Plaintiffs-appellants [hereinafter plaintiffs or appellants] appeal from a final judgment entered in the United States District Court for the Southern District of New York, after a five day trial before Judge Thomas P. Griesa sitting without a jury. The trial judge dictated his decision, including findings of fact and conclusions of law, and ruled that appellants' patent in suit, No. 3,506,056, issued on April 14, 1970, was invalid for obviousness under 35 U.S.C. § 103. The lower court, having held the patent at issue to be invalid, declined to rule on plaintiffs' cause of action for patent infringement, which cause was dismissed. Defendants-appellees [hereinafter defendants or appellees] cross-appeal from that portion of the judgment which dismissed their counterclaim for breach of

contract, which action sought repayment of royalties previously paid under an exclusive licensing agreement.

For the reasons expressed below, we hold the patent valid. Accordingly, the district court's judgment below is reversed and the cause is remanded for a finding as to the issue of infringement. We affirm that part of the lower court's judgment which dismissed the counterclaim for breach of contract.

### I. The "Burglar Proof Window Grill"

Appellants' invention, the patent validity of which is in dispute, is encaptioned a "burglar proof window grill" on the patent. The invention is in the form of a slidable gate which is installed into windows in apartments and other similar residences. The purpose of the grille mechanism is to prevent illegal entry into an apartment through the window while also providing for quick egress in case of an emergency.

The trial judge notes the following background with reference to the need for such a window grille:

For some years prior to the issuance of the patent there had been a problem about security gates placed in buildings, particularly inside of doors and windows opening onto fire escapes. In view of the ever-increasing burglaries in New York City and other metropolitan areas, there was an increasing use of security gates, including gates located in doorways and windows opening onto fire escapes. It appears that most of these gates were locked with padlocks. These padlocked gates were apparently reasonably satisfactory in keeping out burglars, but they had a great disadvantage in hindering the egress of building occupants at times of emergency, particularly during

fires. The record shows vividly that these padlocked gates were responsible for the deaths of many persons because in the panic and confusion attending a fire, the padlocks could not be opened, or the key would be lost, or some other problem would arise which made these padlocked gates barriers to the exit from the fire-stricken structure.

The State of New York responded to the grim problem of people, safe from burglars, but in danger of perishing from smoke and flames by being trapped behind a padlocked burglar-safe window. It prohibited the use of padlocked security gates in fire escape doors and windows. The gates continued to be sold, however, and were particularly popular in crime-ridden areas where occupants attached the devices themselves, in violation of the law. The lower court noted that appellees, long-time manufacturers of security gates and doors, continued to manufacture and sell such padlocked gates knowing that many would be used not for the protection of business store fronts but for apartment use.

In the 1960's New York City officials sought to stimulate ironworking and construction firms to find an alternative to the padlock gate which was resulting in the deaths of many people.

Two firemen, Cecil Shackelton and Richard H. Williams, and a "fire buff," Carlos Quinones, who had first-hand knowledge of the problem, took up the challenge and used their expertise in an attempt to develop a gate whose design characteristics would have the two-fold objective of providing protection against burglars seeking entry from the outside, and of permitting quick egress from the inside in the event of a fire. In 1967 appellants<sup>1</sup>

<sup>1</sup> Williams having deceased, his heirs are appellants here with Shackelton and Quinones.



developed the gate which is the basis of the present suit. They filed a patent application May 31, 1967 and began exhibiting their prototype to the New York City Fire Department and other city agencies for approval. At that time the New York Multiple Dwelling Law did not permit any gates or grilles to be placed in a window leading to a fire escape. Appellants hoped that city approval would pave the way for an amendment to the state law. When appellants' design met with praise from various city agencies, procedures were undertaken to obtain an amendment to section 53 of the New York Multiple Dwelling Law which would permit approved devices. Such an amendment was enacted on March 29, 1968. On July 25, 1968 the New York City Board of Standards and Appeals approved the gate.

In anticipation of such approval appellants in the meantime had approached appellees and had shown them the prototype. Appellees, who had been working on their own design, were favorably impressed by the prototype. Appellees abandoned their own efforts to design a new gate and entered into an exclusive licensing agreement with appellants, which agreement was dated July 21, 1968. The appellee manufacturers agreed to pay the appellant inventors a ten per cent royalty and guaranteed payment of minimum royalties of \$20,000 per year. The agreement was to last for the life of any patent which might be granted but could be terminated upon sixty days' written notice by either party. The agreement noted a patent application was pending.

The burglar-proof window grille, as designed by the appellants, was essentially a basic slidable gate, commonly known as a lazy tongs gate, with close mesh grill-work similar to that found on other such security gates. The grille's locking device, however, did not in-

volve a padlock. The gate edge contained two clasps which fitted into a latch post when closed. The latch bar is lowered by a handle which engages and locks the hasp, much like the mechanism of a gymnasium locker. The handle has a cover fitted over it. The close mesh of the gate and the cover over the handle, in conjunction with a plate at the closing edge of the gate, prevents an intruder from reaching in from the outside and opening the closed gate. When someone inside the apartment wishes to open the gate, the cover over the handle is lifted and the handle is raised, thus disengaging the latch bar from the hasps. Once the gate is unlocked it can be slid open, permitting quick exit.

Appellees, in manufacturing the gate, made certain modifications which departed from the prototype given them from the patent application and thus from the design as approved by the Board of Standards and Appeals. The prototype and the patent design used a form of track in the latch post which was intended to guide the latch bar up and down. This involved two leaf springs which were supposed to give the gate a boost when being opened. The prototype and patent design also employed a gate structure which involved welded angle irons at the top and the bottom. The appellees believed in simplifying the product. They eliminated the track as a separate piece and arranged for a simpler manner of latch post guidance. The leaf springs were determined not to be very useful and were eliminated. The appellees also decided that it would be more practical if the top and bottom of the gate structure were to be formed with sheet metal rather than with angle irons.

With these modifications appellees commenced the manufacture and sale of the appellants' basic design and, for four years, paid royalties pursuant to the license

agreement. The trial court stated that the evidence presented to it indicated that by 1972 the appellees, faced by costs rising faster than their ability to increase the prices they charged, found the ten per cent royalty too onerous. Appellees attempted to renegotiate the license agreement but failed. In mid-1974, they terminated the agreement.

Appellants claimed below that the appellees infringed the "burglar proof window grille" patent by manufacturing the same gate structure under the name "Protect-A-Gard," and selling the device without payment of royalties, in violation of the appellants' patent rights. Defendants responded by claiming that the patent in question was invalid, and the district court agreed, issuing a declaratory injunction to that effect.

## II. Scope of Review

An initial matter is the scope of our review. This, in turn, hinges upon the nature of the evidence admitted by the district court. Here, aside from the testimony of only two witnesses, plaintiff Shackelton and the defendant's vice-president, David Kaufman, the record is composed of stipulations, exhibits, and the "testimony" of "hypothetical expert witnesses" submitted by both sides. This type of record is as easily examined by this court as by the court below. Though the district court's factfinding will not ordinarily be disturbed absent clear error, here, the record consists of very little testimonial evidence, and so our review of the facts is broadened. *Philip v. Mayer, Rothkopf Industries, Inc.*, 635 F.2d 1056, 1061 (2d Cir. 1980); *Eutectic Corp v. Metco, Inc.*, 579 F.2d 1, 5 (2d Cir.), cert. denied, 439 U.S. 867 (1978); *U.S. Philips Corp. v. National Micronetronics, Inc.*, 550 F.2d 716, 719 (2d Cir.), cert. denied, 434 U.S. 859 (1977); *MacLaren v. B-I-W Group, Inc.*, 535 F.2d 1367, 1371 (2d Cir.), cert.



*denied*, 429 U.S. 1001 (1976). Moreover, the district court's rather cursory discussion of the prior art<sup>2</sup> leaves us largely to guess at the process of inference that led to its findings. Accordingly, our deference to those findings is further diminished. *See Russo v. Central School District No. 1*, 469 F.2d 623, 628-30 (2d Cir. 1972), *cert. denied*, 411 U.S. 932 (1973); *see also, Shaw v. E.B. & .C. Whiting Co.*, 417 F.2d 1097, 1104-05 (2d Cir. 1969), *cert. denied*, 397 U.S. 1076 (1970).

### III. The Prior Art

In concluding that appellants' patent is invalid the district court relied primarily upon several references to the prior art and said that the individual elements of the patent were known in the art of gate-making. The concept of a slidable gate of a lazy tongs variety was said to be an old concept, as indicated by earlier patents for such gates, namely the 1897 Henning patent and the 1919 Griffith patent. The concept of a plate around the lock or the handle of the gate was also known to be an old concept as disclosed by the Griffith patent. The idea of using a latch post and of locking a gate by means of hasps and a latch bar or by means of hasp pins was found to have occurred to others earlier in this century, as seen by the O'Connor patent of 1924 and the Baker patent of 1936. Finally, the concept of putting a cover or box over a lock to prevent intruders from reaching the mechanism was awarded a patent during the late nineteenth century, as disclosed by the Hagee patent of 1892.

The district court stated that, even without reference to the specific patents noted above, it could be said that

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<sup>2</sup> The district court's discussion of the prior art occupies only sixteen lines of its decision. T. 559, line 20-T. 560, line 11.

these concepts were old in origin in the areas of lock-making, gate-making, door-making and in the security device field. This contention, the district judge indicated, was basically conceded by plaintiffs. Plaintiffs, however, contend that given the particular needs which were, and still are, apparent in metropolitan areas, the combination of these different elements into a burglar proof window grille was not obvious and is deserving of patent protection.

#### IV. Obviousness

The district court's sole ground for holding appellants' patent invalid was its conclusion that defendants had demonstrated that the subject matter of the patent "would have been obvious to a person having ordinary skill in the art to which the subject matter pertained." The test which was applied by the lower court is based on 35 U.S.C. § 103. The issue in this appeal, then, is whether "the differences between the subject matter sought to be patented [appellants' invention] and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. . . ." 35 U.S.C. § 103.

The ultimate question of obviousness is one of law, and is to be determined after several factual inquiries have been made. *Sakraida v. Ag Pro Inc.*, 425 U.S. 273, 280 (1976). As the Supreme Court has stated in *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966):

[1] the scope and content of the prior art are to be determined; [2] differences between the prior art and the claims at issue are to be ascertained; and [3] the level of ordinary skill in the pertinent art resolved.

Against this [factual] background, the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented. As indicia of obviousness or nonobviousness, these inquiries may have relevancy.

The crucial question here is whether in light of the prior art, the fabrication of a burglar-proof but fire-safe window gate, by combining concepts found in previously issued patents would have been obvious to a person having ordinary skill in the art. The district court said that, as to this basic question, the matters involved in the patented device would indeed have been obvious at the time the invention was made to a person having ordinary skill in the art. The lower court gave short shrift to the "secondary considerations" of the *Graham* case in resolving the basic issue. It was noted that under case law the emphasis must be on the question of whether the development of the invention was obvious to one having ordinary skill in the art. The district court answered this question and summed up its findings and holding by stating that:

. . . although plaintiffs came up with an eminently desirable product, one which admirably met both commercial interests and the public interest, this was something which was done by persons of ordinary skill in the art and it was merely a matter of adapting well-known elements in gate-making and lock-making in a way that did not constitute an unobvious patentable invention.

We disagree.

The starting point for a court's judgment on the obviousness of a combination patent is to examine the functions of the components in their prior context alongside the functions they perform in their new combination. *Sakraida v. Ag Pro Inc.*, 425 U.S. 273, 281 (1976), citing *Great A & P Tea Co. v. Supermarket Corp.*, 340 U.S. 147, 152 (1950). A change of function for a well known element of a combination patent is a benchmark of nonobviousness. *Id.*; *B. G. Corp. v. Walter Kidde & Co.*, 79 F.2d 20, 22 (2d Cir. 1935).

The O'Connor and Baker devices, which in combination suggest a vertical post that locks a door with pins descending into receiving slots, have been previously applied to gymnasium and clothes storage lockers. It is true that these devices, which are usually padlocked shut, could be easily opened from the inside while remaining impervious to the outside and so resemble appellants' device in this respect. It is unlikely, however, that it is the function of the O'Connor and Baker devices not only to prevent ingress from without the gym locker, but also to allow egress from within the locker. This conclusion stems from the simple fact that, generally, one cannot fit within a gym locker; thus the need to egress from one is nonexistent. On the other hand, appellants' device fulfills the need for simultaneous imperviousness from the outside and accessibility from the inside. Thus appellants have devised a new function for such latches.

The district court erred in reading the Griffith patent to preempt appellants' use of a metal plate to cover the latch bar handle. The Griffith patent used a metal cover around a gate handle on collapsible lazy tongs gates to protect the hands of persons such as elevator operators from the scissoring of the gate lattice when closed. Appel-

lants' cover only protects the handle on the locking latch bar and it does not even cover the lattice work around the handle on the gate itself. Its function is not to protect the hand of the operator on the inside, but to prevent operation of the gate altogether by someone on the outside.<sup>3</sup>

The Hagee patent for a window shutter-fastener describes a latch on a lever that is screwed into a window shutter. A receiving hook is fastened to the window sill so that the shutter can be closed when the hook and latch are joined. The latch is shielded in a metal housing that is open only on the inside and, as used also in the Griffith patent, the use of a metal plate to cover a latch bar handle, was well-known in the art. Nevertheless, the Hagee patent does not preempt the device in suit, which utilizes a slidable grille in combination with other features, including the use of a metal handle protection unit.

It is by employing these devices previously used on lockers, window shutters, and elevator gates that appellants arrived at a new solution to a new problem. The functions of these devices were radically altered and even in part inverted by application of their functional use in a different field from the fields each had been designed to function in and within which each had functioned. Even if the trial court's assertion that each of the elements cited was already long-known in the art of "gate-making" is correct, here they are put to new functions in a nonobvious manner. As we have frequently pointed out, a mere

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<sup>3</sup> The district court's reliance on the Griffith patent is further flawed. The Griffith patent was examined by the Patent Office during the consideration upon the application of the patent in suit. The statutory presumption of a patent's validity, 35 U.S.C. § 282, is "heightened by a showing that the prior art was adequately considered." *Ling-Temco-Vought, Inc. v. Kollsman Instrument Corp.*, 372 F.2d 263, 268 (2d Cir. 1967).



showing that each element plays its part "is inadequate to demonstrate obviousness when the combination of those pre-existing elements results in novel, unanticipated or long-sought results." *U.S. Philips Corp. v. National Micronetics, Inc.*, 550 F.2d at 723-34, *cert. denied*, 434 U.S. 859 (1977). *See also United States v. Adams*, 383 U.S. 39 (1966).

## V. Supplementary Criteria

Not only do we find the record to be barren of evidence that substantiates a claim that appellant's combination is not patentable because of its obviousness, but other evidence—the longstanding need for an innovation like appellants' invention, the attempt and failure of others to satisfy that need, and the outstanding commercial success of the device once marketed—strongly suggests that the combination created by Shackelton and his associates was not a combination obvious to others working in the same field. Each of these factors may guide a court to a finding of nonobviousness. *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966); *Eutectic Corp. v. Metco, Inc.*, 579 F.2d 1, 3 (2d Cir.), *cert. denied*, 439 U.S. 867 (1978) (long felt need); *Ling-Temco-Vought, Inc. v. Kollsman Instrument Corp.*, 372 F.2d 263, 269 (2d Cir. 1967); *Reiner v. I. Leon Co.*, 285 F.2d 501, 504 (2d Cir. 1960), *cert. denied*, 366 U.S. 929 (1961).<sup>4</sup>

<sup>4</sup> The supplementary indicia of nonobviousness outlined by the Court in *Graham* are particularly helpful in a case such as this one where the dangers of hindsight are great. These indicia may be the only warning to a judge that he is engaging in backward vision when an invention that seems obvious to him when studied in argumentative context eluded those skilled in the art at the time the invention was created despite a then long-felt need for the invention and the then possibility of significant commercial reward. *Graham, supra*, at 36. By tempering the risks of the retrospective treatment of an invention by a reviewing judge with a look at the objective indications of inventive difficulty,

There can be no doubt that the need for an invention like appellants was pronounced and longstanding. As early as 1962, Shackelton was decorated with the Fire Department's Medal of Honor for rescuing two persons from a Bronx fire in which two other persons had perished because they were trapped behind a padlocked window gate. Government memoranda show that citizens, as protection against burglars, had pressured the City for years to permit the installation of the padlocked gates in spite of the fire hazard, and that in 1967 alone Fire Department inspectors had required the removal of more than 6,000 offending bars and gates from fire escape windows. The need for invention was well known not only to the plaintiffs but to the Fire Department, real estate and tenant groups, the hundreds of thousands of New Yorkers who were compelled to hazard their lives to protect their possessions, and to all those who heard the plea for a new invention solicited by the City through radio, television, and news print.

Those pleas reached the appellee; Kaufman, a premier manufacturer of security gates, whose press release states that the company had devoted "all its research and development efforts to this new project," but that these efforts were "dropped" when the defendant had an opportunity to enter into the licensing agreement with appellants. Kaufman's failure to develop a solution in answer to the demands for invention is persuasive evidence that the plaintiffs' invention was not obvious to others skilled in the art, *Champion Spark Plug Co., v. Gyromat Corp.*,

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the *Graham* supplementary criteria also increase the predictability of patent security, thereby "promoting the useful arts." Moreover, such a judicial approach reduces the likelihood that inventors will choose to protect their creations as trade secrets under state law, thereby making them unavailable to the public domain. See 48 Geo. Wash. L. Rev. 110, 117 (1979).

603 F.2d 361, 368-72 (2d Cir. 1979), *cert. denied*, 445 U.S. 916 (1980), as is, likewise, the failure of others to produce a suitable invention, *U.S. Philips Corp. v. National Micronetics, Inc.*, 550 F.2d 716, 719-23 (2d Cir.), *cert. denied*, 434 U.S. 859 (1977). The district court rationalized the defendant's failure and that of others to invent an acceptable solution by stating that the defendant was "geared up for making simpler, less expensive gates and . . . did not extend themselves to come up with a new design," and that the effort to seek City approval of a new gate would be too taxing for the project to be worthwhile. This suggestion, is, however, squarely contradicted by the fact: appellants' gate cost little more than the illegal devices manufactured by Kaufman; Kaufman's own press release stated that the company "geared all its research and development" to create a "new product" to meet the City's needs; Kaufman did in fact invent and patent a new fire escape security gate of its own, Patent No. 3,417,805, though, for reasons the record does not expose, Kaufman "chose not to manufacture that one;" and whatever the costs of winning City approval, Kaufman's research drive to develop a legal gate which the City would accept would have been pointless if Kaufman expected never to have the City legalize the fruits of its efforts to meet the City's advertised wants. It is plain that appellants' device answered a long-felt need that others skilled in the art had failed to fulfill, and so it seems beyond question that appellants' invention was not an obvious one.

The commercial success of appellants' device, acknowledged by the district court, and measured by its dominance of the market in fire escape security gates almost to the exclusion of other devices, *see* 112 U.Pa. L. Rev. 1169, 1175 (1964), cited with approval in *Graham v. John*

*Deere Co., supra*, 383 U.S. at 18, 36, is cast in doubt only by Kaufman's assertion that it could not raise prices fast enough to keep pace with production costs and the royalty fees. However, this statement is contradicted by the willingness of another manufacturer, Jay-Bil Industries, Inc., to enter as a *non-exclusive* licensee into the same royalty agreement found too onerous by Kaufman which was enjoying exclusive license.<sup>5</sup>

After our examination of the very different functions performed by each of the component parts in appellants' utilization of them in their invention, as well as the failure of others to produce the invention despite the need and incentive to do so, we conclude that, without more, there is no persuasive evidence showing that appellants' combination of previously known components would have been an obvious invention. Appellants' patent is not invalid for obviousness under § 103, and we remand to the district court the issue of Kaufman's infringement of appellants' patent by continuing to manufacture the gate after the license arrangement was terminated in 1974.

## VI. Failure of Consideration

The gate Kaufman marketed under the license agreement with appellants used a design differing in a few details from the one for which appellants were ultimately able to obtain a patent. Kaufman argues that there was therefore a failure of consideration under the license

<sup>5</sup> In addition to a finding that a plaintiff's invention is a commercially successful solution to a long-felt problem that others have failed to solve, the nonobviousness of appellants' invention is also indicated by the approval that its competitors and other qualified observers gave the device. E. 28-30 (Kaufman's press release); E. 23 (New York Times article 6/1/67); E. 20 (letter of Bruce J. Gould, Deputy General Counsel of Housing and Development Administration); E. 21 (Recommendations of New York City Board of Standards and Appeals; see *United States v. Adams, supra*, 383 U.S. 39, 52 (1966); 112 U.Pa. L. Rev., *supra* at 1182.

agreement and that Kaufman is entitled to restitution of royalties paid until mid-1974 to appellants. The district court properly dismissed this claim. The licensing agreement granted Kaufman

. . . the exclusive right, license and privilege to make, have made, use and sell window guards (hereinafter called "Licensed articles") embodying the invention, and any and all of the features thereof, described and claimed in the patent application, *in any patents which may issue pursuant thereto*, and in any application and patent for any improvements thereon. . . .(emphasis added).

Kaufman received no less than that for which it contracted, and is liable for royalties under the agreement even though the final patent was somewhat narrower than the original application. *See Swan Carburetor Co. v. General Motors Corp.*, 42 F.2d 452, 454 (N.D.Ohio 1927), *aff'd*, *Gen. Motors Corp. v. Swan Carburetor Co.*, 44 F.2d 24 (6th Cir. 1930), *cert. denied*, 282 U.S. 897 (1931).

Furthermore, it is not clear what benefit Kaufman sought from the licensing agreement that it was denied by the narrow patent. The district court rejected Kaufman's claim as it found that Kaufman used and enjoyed the benefit of the patent notation on the labels and in its advertising of the gates it marketed. Any representation by Kaufman that the patent did not exclude potential competitors from reproducing the gate as manufactured and hence that Kaufman enjoyed less of a share of the market than Kaufman had bargained for is wholly undermined by the evidence that appellants' gate overwhelmingly dominated the market.

The judgment below is reversed in part and the cause is remanded for consideration of the infringement issue.



UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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CECIL SHACKELTON, CARLOS M.	:	
QUINONES, VIVIAN M. WILLIAMS,	:	
RICHARD H. WILLIAMS, JR.,	:	
ALFRED C. WILLIAMS and	:	
RAYMOND A. WILLIAMS,	:	
	:	
Plaintiffs,	:	77 Civ. 75
	:	
v.	:	(TPG)
J. KAUFMAN IRON WORKS, INC.	:	
and WINDOR SECURITY SYSTEMS,	:	
INC.,	:	
Defendants.	:	

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JUDGMENT

This action came on for trial before the Court, Honorable Thomas Poole Griess, District Judge, presiding, and the issues having been duly tried and a decision having been duly rendered,

IT IS ORDERED AND ADJUDGED THAT:

1. Plaintiffs' cause of action for patent infringement is dismissed;

2. Defendants' First Counterclaim, as amended in open court, requesting a declaration of invalidity of claim 1 of U.S. Patent No. 3,506,056, is sustained, and therefore claim 1 of said patent is declared invalid and plaintiffs' claim for infringement is dismissed; and
3. Defendants' Second Counterclaim asserting a breach of contract is dismissed.

Dated: New York, New York  
March 30, 1981

/s/Raymond F. Burghardt

APPROVED:

/s/Thomas P. Griesa, U.S.D.J.

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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CECIL SHACKELTON, CARLOS M. :  
QUINONES, VIVIAN M. WILLIAMS,  
RICHARD H. WILLIAMS, JR., :  
ALFRED C. WILLIAMS and :  
RAYMOND A. WILLIAMS, :  
Plaintiffs, : 77 Civ. 75  
v. : (TPG)  
J. KAUFMAN IRON WORKS, INC.  
and WINDOR SECURITY SYSTEMS, : OPINION  
INC., :  
Defendants. :  
-----x

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Rendered orally from Bench  
March 23, 1981

The following constitutes the Court's findings of fact and conclusions of law.

This is a suit by the owners of U.S. Patent 3,506,056, entitled "Burglar Proof Window Grill," issued April 14, 1970.

Plaintiffs claim that defendants have infringed this patent by manufacturing and selling a gate structure known as Protect-A-Gard. The specific claim is that defendants at one time held a license for this device, that they terminated the license agreement, and have since such termination been illegally manufacturing and selling their device in violation of plaintiffs' patent rights and without paying royalties to plaintiffs.

Defendants respond by claiming that the patent in question is invalid. Defendants seek a declaratory judgment to that effect.

There is also a claim that because of the alleged invalidity of the patent there was a failure of consideration in the now terminated license agreement, and that royalty payments, which were made under the license agreement, while it was in effect, should be refunded.

For the reasons hereafter stated, I hold that the patent is invalid. A declaratory judgment to that effect will issue in favor of defendants.

It follows that the plaintiffs' cause of action for patent infringement must be dismissed; the counterclaim of defendants seeking a refund of monies



paid under the license agreement must also be dismissed.

The owners of the patent or the claimed patent are Cecil Shackelton, who was a former New York City fireman, the second owner was Richard H. Williams, a former New York City fireman now deceased, Richard Williams is represented in this cation by his heirs; the third owner of the alleged patent is a person who is referred to in this action as a "fire buff," Carlos Quinones.

Shackelton, the Williams heirs, and Quinones are the plaintiffs in this action.

The defendants are J. Kaufman Iron Works, Inc., and Windor Security Systems, Inc. Kaufman Iron Works is a company located in the Bronx. Most of

their business or at least a substantial part of their business for many years has consisted of fabricating and selling various forms of security gates and doors. Windor Security Systems is an affiliate of Kaufman.

The background of the patent is as follows:

For some years prior to the issuance of the patent there had been a problem about security gates placed in buildings, particularly inside of doors and windows opening onto fire escapes. In view of the ever-increasing burglaries in New York City and other metropolitan areas, there was an increasing use of security gates, including gates located in doorways and windows opening onto fire escapes.

It appears that most of these gates were apparently reasonably satisfactory in keeping out burglars, but they had a great disadvantage in hindering the egress of building occupants at times of emergency, particularly during fires. The record shows vividly that these padlocked gates were responsible for the deaths of many persons because in the panic and confusion attending a fire, the padlocks could not be opened, or the key would be lost, or some other problem would arise which made these padlocked gates barriers to the exit from the fire-stricken structure.

New York State's Multiple Dwelling Law, Section 53, was passed at some point and prohibited in effect these

padlocked security gates in fire escape doors and windows. However, the desperation of the populace, particularly in poor areas, was so great in respect of burglaries that these padlocked gates continued to be sold and continued to be placed on fire escape doors and windows even though the Multiple Dwelling Law was thereby violated.

It should be noted that J. Kaufman Iron Works, Inc. manufactured padlocked gates and sold them in quantities knowing full well that they would be used in violation of Multiple Dwelling Law Section 53.

In the 1960s, New York City officials sought to stimulate the development of some new security gate design which would offer protection

against burglars and at the same time permit ready and safe egress from buildings onto fire escapes. The two firemen, Shackelton and Williams, and their friend Quinones, responded to this problem. Shackelton and Williams had personally seen people perish in fires when they could not exit buildings, and their exit was prevented by these pad-locked gates. Shackelton, Williams, and Quinones felt deeply about the matter and sought to respond.

In 1967 they came up with a design for a security gate with the following basic characteristics. This was a slideable gate commonly known as a lazy tongs gate with the kind of grill work which we see in such security devices, in stores and dwellings, etc. It had



a locking device that did not involve a padlock. The gate edge contained two hasps. When the gate was closed, the hasps fitted into a latch post. The latch bar was lowered by a handle and engaged the hasps. This was the method of locking and closing the gate. When the gate was closed and locked, a cover fitted over the handle. The close mesh of the gate, together with a plate at the closing edge of the gate, and the cover over the handle, prevented an intruder from reaching in and opening the closed gate. When someone wished to open the gate from the inside, he lifted the cover the handle, raised the handle, and thus disengaged the latch bar from the hasps. This unlocked the gate. The gate could then be pulled

open and the occupant of the building could exit the window or door.

Messrs. Shackelton, Williams and Quinones filed a patent application for this device on May 31, 1967. Meanwhile, these three men were demonstrating the gate for the Fire Department and other city agencies.

The Fire Department and the city agencies were involved because in order for the gate to be marketed legally for use on fire escape windows and doors, there had to be an amendment to the Multiple Dwelling Law, and the thought was that if the city agencies approved this gate, the way would be paved for an amendment to the state law.

The gate designed by Shackelton

and his friends was well-received by the various city agencies, procedures were undertaken to obtain an amendment to Section 53 of the Multiple Dwelling Law, and such amendment was enacted on March 29, 1968.

The effect of the amendment was to allow security gates to be used in fire escape doors and windows provided that some local approval by local government was obtained.

In the meantime, Shackelton, et al, had gone to the Kaufman Iron Works and showed them a prototype of the gate. They had informed the Kaufman people of their efforts to get approval from the city agencies and amendment of the state law. The Kaufman people up to this time, and as I have stated, were selling

the padlocked gates. The evidence is that they had given some thought to a new design for a gate but they had not gone far with their new design. They were favorably impressed with the gate designed by Shackelton, et al. The Kaufman people abandoned their own efforts to design a new gate and entered into a license agreement with Shackelton, Williams and Quinones, dated June 21, 1968.

The license agreement recited the fact that the patent application was pending. Kaufman agreed to pay a ten percent royalty and guaranteed minimum royalties of \$20,000 per year. The agreement was to last for the life of the patent if the patent was granted. It could be terminated, however, on

60 days written notice by either side.

On July 25, 1968, the New York City Board of Standards and Appeals approved the gate. The record of that body shows an application by Carlos Quinones, Cecil Shackelton, and Richard Quinones for J. Kaufman Iron Works. The approval of the Board of Standards and Appeals was for the gate and related also to the particular applicants, that is, Quinones, Shackelton, and Williams acting on behalf of the proposed manufacturer, J. Kaufman Iron Works.

The Board of Standards and Appeals issued a number which was to be affixed to the gates when manufactured and sold, and this number was 896-68-SM.

Thereupon the Kaufman Iron Works started to manufacture and market the



gate. They made certain modifications in the gate, departing in certain ways from the prototype which had been given to them by Shackelton, et al, and departing in certain respects from the design of the gate which was involved in the patent application.

The three departures were as follows:

In the prototype and in the patent design the so-called latch post had a particular form of track which was intended to guide the latch bar up and down. In the prototype and in the design involved in the patent application, there were two leaf springs which were attached to the latch post and which were supposed to give the gate a boost when it was being opened.

In the prototype and in the design involved in the patent application, the top and bottom of the gate structure involved angle irons welded together.

The Kaufman people determined that the latch post should be simplified by eliminating the type of track which had been contained in the prototype. They eliminated the track as a separate piece and arranged to have the latch post guided in a simpler manner. The Kaufman people determined that the leaf springs didn't do much good and the leaf springs were eliminated. The Kaufman people determined that the most practical or a more practical way to form the top and bottom of the gate structure was with sheet metal formed in certain ways rather than with angle irons.

But with these modifications, Kaufman commenced manufacturing and marketing the basic design which had been given to them by Shcaskelton, et al. Kaufman commenced paying royalties pursuant to the license agreement. Patent number 3,506,056 was issued to plaintiffs by the Patent Office on April 14, 1970.

The evidence is that after about four years or so, by 1972, the Kaufmans found the ten percent royalty onerous. Their testimony is that their costs were rising faster than they were able to increase the prices they charged for the different sized gates, and they attempted to renegotiate the license agreement. Such attempts to renegotiate failed.

In mid-1974, they terminated the license agreement. A suit was filed by the plaintiffs in the present case in Supreme Court, Bronx County, to recover royalties due under the license agreement. This was a contract action and it appears that no questions were raised about federal law regarding patent validity or infringement.

The action was settled pursuant to an agreement dated July 18, 1975. This action had the effect of settling the contract claims of plaintiffs for royalties through mid-1974. However, it did not resolve the basic issues of what to do after mid-1974 about plaintiffs rights with respect to their claimed patent.

Going back now to the period 1974 and 1975, even after this dispute had arisen, and after Kaufman terminated the license agreement, Shackelton continued to have a business relationship with Kaufman. When I speak of Shackelton here, I am speaking of Shackelton only, and I am not speaking of Quinones and the Williams people. By this time Richard H. Williams had died, although, of course, he was succeeded by his heirs who are plaintiffs in this action and were plaintiffs in the Bronx County action.

Shackelton, individually, had developed a profitable business in which he received compensation over and above any royalties under the license agreement. He organized a company called



Shackelton Enterprises. It did business on the Kaufman premises. Shackelton also installed gates for the Kaufman Iron Works for a fee. Shackelton had conducted this business prior to the termination of the license agreement in mid-1974 and he continued to conduct this business after mid-1974 until some time in 1978.

Thus, after the termination of the license agreement, Kaufman kept manufacturing and selling the gate and Shackelton continued his business operations involved in buying and reselling gates and installing gates for a fee, all this in relation to the Kaufman people.

It appears that Shackelton did not

move off the Kaufman premises until some time in April 1978. It further appears that Shackelton and the other plaintiffs in this action have entered into a new license agreement, dated November 1, 1980, with a company called Jay-Bil Industries. It would appear that by now Shackelton's business relationships with Kaufman have been entirely severed.

The evidence indicates that over a period of some twelve or thirteen years, commencing in 1968 until the present, the gate in question has been a highly successful product. Kaufman is still making and selling the gate in large quantities. Apparently quantities are also being sold by the party to the new license agreement, that is, Jay-Bil

Industries.

This concludes the narrative of facts and brings up to the resolution of the legal issues.

The crucial statutory language is 35 U.S.C. Section 103, which provides in pertinent part that a patent may not be obtained if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

Under 35 U.S.C. Section 282, a patent which has been issued by the Patent Office is presumed valid. However, the case law makes it clear that

such patent may be attacked in a court proceeding and indeed a party who has entered into a license agreement and has acted under that license agreement as licensee is free to attack the patent.

The public policy in limiting patents to cases where there is true validity under the statutory standards is so great that the case law allows even a licensee, such as Kaufman, to attack the patent under circumstances such as are presented in the present case.

As stated in the statute, 35 U.S.C., Section 103, the basic question is whether the matters involved in the patented device would have been obvious at the time the invention was made to a person having ordinary skill in the art.

The Supreme Court has outlined what are said to be secondary considerations in assisting a resolution of the basic issue. These secondary considerations are questions about whether there was a long-felt but unresolved need, whether others had failed in developing a device to meet the need, and whether the patented device has experienced commercial success.

On the question of patent validity, I hold that Claim 1 of Patent 3,506,056 is invalid. This is the claim which has been the subject of the litigation and it is the claim that I am dealing with.

I hold that defendants have overcome the presumption of patent validity and that they have successfully demonstrated that Claim 1 and the subject



matter thereof would have been obvious to a person having ordinary skill in the art to which the subject matter pertained. The record shows clearly that the individual elements of the Shackelton gate were known in the art of gate-making.

This is basically conceded by the plaintiffs. In other words, the concept of a slideable gate of a lazy tongs variety was an old concept. There were patents for such gates, namely, Henning, an 1897 patent, and Griffith, a 1919 patent.

Also, the concept of a plate around the lock or the handle of the gate was an old concept as shown by Griffith, the 1919 patent.

The concept of using a latch post

and locking a gate by means of hasps and a latch bar or hasps pins, these concepts were old, as shown by an O'Connor patent of 1924 and a Baker patent of 1936.

The concept of putting the cover over a lock to prevent intruders from reaching a lock or putting a box over the lock, this is an old concept as shown by the Hagee patent of 1892.

Even without reference to these specific patents, one could surely say, and the plaintiffs do not deny, that all of these individual concepts were old ones in the art of lock-making and gate-making and door-making and in security devices, and that these individual concepts were not new.

The plaintiffs contend that, given

the particular needs which were apparent in metropolitan areas during this era, the combination of the different elements in their security gate -- both the manner and purpose of the combination -- was not obvious and deserves to be patented.

The plaintiffs point to the fact that there was a need which had not been met. They further point to the commercial success. They specifically point to the fact that the Kaufmans themselves, who have been in the security gate business for decades, had not come up with their own design.

Under the case law, the emphasis must be on the question of whether or not the development was obvious to one having ordinary skill in the art.

It is my finding and holding that although plaintiffs came up with an eminently desirable product, one which admirably met both commercial interests and the public interest, this was something which was done by persons of ordinary skill in the art and it was merely a matter of adapting well-known elements in gate-making and lock-making in a way that did not constitute an unobvious patentable invention.

One can infer from the evidence in this case that there were reasons why Kaufman and perhaps other fabricators of gates did not come up with a satisfactory security gate prior to the time that Shackelton, et al, did. There were undoubtedly certain economic factors.

The Kaufman process was probably

geared up for making the simpler, less expensive gates, and for commercial reasons they did not extend themselves to come up with a new design. Also, they contend that they did not wish to divert their efforts to go after approval of a new gate by city agencies and efforts to get the New York State Legislature to amend the Multiple Dwelling Law.

This position is credible in the sense of being believable by the Court. In any event, the fact that neither Kaufman nor others had come up with the type of gate that could be approved by the various agencies prior to the time that Shackelton, et al, did so, does not mean that the Shackelton gate acquires the status of a patentable



product or design.

For the reasons stated, I hold that defendants are entitled to a declaratory judgment to the effect that Claim 1 of the patent in question is invalid. It follows that plaintiffs' claim for infringement must be dismissed.

I note here a particular part of the infringement argument of plaintiffs, namely, the argument that even after the termination of the license agreement in mid-1974, Kaufman continued to use a label which contained a patent notation, and that, therefore, as plaintiffs argue, Kaufman is estopped from denying patent validity.

The reliance of plaintiffs is on a doctrine which they refer to as the "marking estoppel." I will not attempt

to discuss that doctrine in any depth from the standpoint of the law, because I find that the evidence does not establish any substantial use of the patent notation by Kaufman after mid-1974.

The final claim which I need to refer to is a counterclaim by the defendants seeking a refund for amounts paid to plaintiffs during the pendency of the license agreement up to mid-1974.

I reject this claim for refund. During the pendency of the license agreement, prior to its termination in mid-1974, Kaufman used the patent notation on the labels for the product, used the patent notation in advertising, sought to benefit from a designation of this as a patented article. Defendants

cannot now claim that they are entitled to a refund of the royalties paid during the time that they were acting under the license agreement.

This concludes my rulings, and the parties will settle an appropriate judgment and decree.

UNITED STATES COURT OF APPEALS  
SECOND CIRCUIT

At a stated term of the United  
States Court of Appeals, in and for the  
Second Circuit, held at the United  
States Courthouse, in the City of New  
York, on the Eighth day of November, one  
thousand nine hundred and eighty-two.

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CECIL SHACKELTON, CARLOS M.  
QUINONES, VIVIAN M. WILLIAMS,  
RICHARD H. WILLIAMS, JR.,  
ALFRED C. WILLIAMS and  
RAYMOND A. WILLIAMS,

Plaintiffs-Appellants-  
Cross-Appellees, Nos. 81-7319  
-v- 81-7347

J. KAUFMAN IRON WORKS, INC.,  
and WINDOR SECURITY SYSTEMS,  
INC.

Defendants-Appellees-  
Cross-Appellants.

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Nov. 8, 1982

A petition for rehearing containing  
a suggestion that the action be reheard

in banc having been filed herein by counsel for the defendants-appellees-cross-appellants, J. Kaufman Iron Works, Inc., and Windor Security Systems, Inc.,

Upon consideration by the panel that heard the appeal, it is

ORDERED that said petition for rehearing is DENIED.

It is further noted that the suggestion for rehearing in banc has been transmitted to the judges of the court in regular active service and to any other judge on the panel that heard the appeal and that no such judge has requested that a vote be taken thereon.

A. Daniel Fusaro, Clerk

by: /s/ Francis X. Gindhart  
Chief Deputy Clerk